

**REPORT OF THE AUDIT OF THE
BRECKINRIDGE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BRECKINRIDGE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Breckinridge County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued a qualified opinion on the financial statements taken as a whole. Based upon the audit work performed and the report of other auditors, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$525,218 from the beginning of the year, resulting in a cash surplus of \$336,369 as of June 30, 2003.

Debt Obligations:

Capital lease principal agreements totaled \$5,410,000 as of June 30, 2003. Future principal and interest payments of \$9,467,979 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable George E. Monarch, III, Breckinridge County Judge/Executive

Members of the Breckinridge County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Breckinridge County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - all governmental fund types; the statement of cash receipts, cash disbursements, and changes in cash balances - all proprietary fund types; and the related statement of cash flows - all proprietary fund types for the year then ended. These financial statements are the responsibility of the Breckinridge County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Breckinridge County Housing Authority. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Breckinridge County Housing Authority, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Breckinridge County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements of the Breckinridge County Housing Authority are presented according to accounting principles generally accepted in the United States of America. The financial statements, because of the two different bases of accounting presented, include certain accruals that Breckinridge County's modified cash basis do not call for. The amounts by which these accruals have affected the financial statements are not determinable.



To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

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In our opinion, based on our report and the report of other auditors, except for the effects, if any, of the accruals discussed in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Breckinridge County, Kentucky, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2003, on our consideration of Breckinridge County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Breckinridge County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen

Auditor of Public Accounts

Audit fieldwork completed -
October 6, 2003

BRECKINRIDGE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

George E. Monarch, III	County Judge/Executive
James Henning	Magistrate
Larry Moad	Magistrate
Tommy Compton	Magistrate
Billy Johnson	Magistrate
Darrell Fentress	Magistrate
Joe O'Donoghue	Magistrate

Other Elected Officials:

Bruce T. Butler	County Attorney
Allen Shrewsberry	Jailer
Charles A. Wilson	County Clerk
Connie Brumfield	Circuit Court Clerk
Todd Pate	Sheriff
Dana Bland	Property Valuation Administrator
Robert Rhodes	Coroner

Appointed Personnel:

Randi K. Flood	County Treasurer
Lisa Hoskins	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

BRECKINRIDGE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Type	Proprietary Fund Type	Totals (Memorandum Only)
	General	Enterprise	Reporting Entity
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash	\$ 307,014	\$ 95,535	\$ 402,549
<u>Assets Limited as to Use - Current</u>			
Due from Fiscal Court		20,232	20,232
Total Current Assets	\$ 307,014	\$ 115,767	\$ 422,781
<u>Property and Equipment, at Cost</u>			
Property and Equipment	\$	\$ 5,698	\$ 5,698
Less Accumulated Depreciation		(2,350)	(2,350)
Total Property and Equipment		\$ 3,348	\$ 3,348
Total Assets	\$ 307,014	\$ 119,115	\$ 426,129
<u>Other Resources</u>			
Amounts to Be Provided in Future Years for:			
Lease Principal (Note 5)	\$ 5,410,000	\$	\$ 5,410,000
Total Assets and Other Resources	\$ 5,717,014	\$ 119,115	\$ 5,836,129

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2003
 (Continued)

	Governmental Fund Type	Proprietary Fund Type	Totals (Memorandum Only)
	General	Enterprise	Reporting Entity
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Lease Obligations -			
Principal (Note 5)	\$ 5,410,000	\$	\$ 5,410,000
Accounts Payable - HUD		68,943	68,943
Accounts Payable - Trade		296	296
Total Liabilities	\$ 5,410,000	\$ 69,239	\$ 5,479,239
<u>Equity</u>			
Retained Earnings:			
Restricted	\$	\$ 49,876	\$ 49,876
Fund Balance:			
Unreserved	307,014		307,014
Total Equity	\$ 307,014	\$ 49,876	\$ 356,890
Total Liabilities and Equity	\$ 5,717,014	\$ 119,115	\$ 5,836,129

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

BRECKINRIDGE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,347,142	\$ 1,492,369	\$ 1,224,294	\$ 56,075
Other Financing Sources:				
Transfers In	120,000	100,000	412,914	
Kentucky Advance Revenue Program	200,000			
Total Cash Receipts	\$ 1,667,142	\$ 1,592,369	\$ 1,637,208	\$ 56,075
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,372,292	\$ 1,387,501	\$ 1,599,464	\$ 44,384
Other Financing Uses:				
Transfers Out	532,914	100,000		
Kentucky Association of Counties				
Leasing Trust Principal Payments	12,000		127,000	
Lease Principal Payments	3,370	88,000		
Kentucky Advance Revenue Program Repaid	200,000			
Total Cash Disbursements	\$ 2,120,576	\$ 1,575,501	\$ 1,726,464	\$ 44,384
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (453,434)	\$ 16,868	\$ (89,256)	\$ 11,691
Cash Balance - July 1, 2002	614,067	8,784	163,687	29,512
Cash Balance - June 30, 2003	\$ 160,633	\$ 25,652	\$ 74,431	\$ 41,203

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For The Fiscal Year Ended June 30, 2003
(Continued)

Totals (Memorandum Only)
<hr/>
\$ 4,119,880
632,914
200,000
<hr/>
\$ 4,952,794
<hr/>
\$ 4,403,641
632,914
139,000
91,370
200,000
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\$ 5,466,925
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\$ (514,131)
816,050
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\$ 301,919
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL PROPRIETARY FUND TYPES

BRECKINRIDGE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL PROPRIETARY FUND TYPES

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>		
	<u>Jail Canteen Fund</u>	<u>Breckinridge County Housing Authority</u>	<u>Totals (Memorandum Only)</u>
<u>Cash Receipts and Operating Revenues</u>			
Jail Canteen Receipts	\$ 131,621	\$	\$ 131,621
HUD Operating Grants		668,590	668,590
Total Cash Receipts and Operating Revenues	<u>\$ 131,621</u>	<u>\$ 668,590</u>	<u>\$ 800,211</u>
<u>Cash Disbursements and Expenses</u>			
Jail Canteen Expenditures	\$ 117,708	\$	\$ 117,708
Administrative Salaries		65,120	65,120
Employee Benefits		21,767	21,767
Housing Assistance Payments		572,943	572,943
Other Operating Expenses		20,273	20,273
Depreciation		1,100	1,100
Total Cash Disbursements	<u>\$ 117,708</u>	<u>\$ 681,203</u>	<u>\$ 798,911</u>
Operating Income (Loss)	\$ 13,913	\$ (12,613)	\$ 1,300
Other Income:			
Operating Transfers		20,232	20,232
Interest Revenue		252	252
Gain on Disposition of Asset		2,787	2,787
Excess of Cash Receipts and Revenues			
Over Cash Disbursements and Expenses	\$ 13,913	<u>\$ 10,658</u>	\$ 24,571
Cash Balance - July 1, 2002	<u>45,537</u>		<u>45,537</u>
Cash Balance - June 30, 2003	<u>\$ 59,450</u>		<u>70,108</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES

BRECKINRIDGE COUNTY
STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES

For The Fiscal Year Ended June 30, 2003

	Enterprise Fund Type		
	Jail Canteen Fund	Breckinridge County Housing Authority	Totals (Memorandum Only)
Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ 13,913	\$ (12,613)	\$ 1,300
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by Operating Activities:			
Depreciation		1,100	1,100
Changes in Assets and Liabilities:			
Increase in Accounts Payable - HUD		42,900	42,900
Increase in Accounts Payable - Trade		296	296
Net Cash Provided By Operating Activities	\$ 13,913	\$ 31,683	\$ 45,596
Cash Flows from Investing Activities:			
Interest Revenue	\$	\$ 252	\$ 252
Gain on Disposition of Asset		2,787	2,787
Purchase of Property and Equipment		(3,198)	(3,198)
Net Cash Used By Investing Activities	\$	\$ (159)	\$ (159)
Cash Flows from Financing Activities:			
Advance from Fiscal Court	\$	\$ 20,000	\$ 20,000
Repayment of Advance from Fiscal Court		(20,000)	(20,000)
Net Increase in Cash	\$ 13,913	\$ 31,524	\$ 45,437
Cash, Beginning of Year	45,537	4,561	50,098
Cash, End of Year	\$ 59,450	\$ 36,085	\$ 95,535

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Breckinridge County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Breckinridge County Housing Authority as part of the reporting entity.

Breckinridge County Housing Authority

The Housing Authority has the right to buy, sell, lease, and mortgage property in its own name. However, Fiscal Court members also serve as the Housing Authority's Board of Directors; therefore, Fiscal Court is able to impose its will on the Housing Authority. Fiscal Court approves and modifies the Housing Authority's budget as part of the county's budget. In addition, Fiscal Court has the ability to appoint, hire, reassign, or dismiss those persons responsible for day-to-day operations. Financial information for the Breckinridge County Housing Authority is blended with Breckinridge County's financial statements. A complete copy of the audit report may be obtained from the Breckinridge County Housing Authority.

Additional - Breckinridge County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Breckinridge County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Breckinridge County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Breckinridge County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

2) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Breckinridge County Enterprise Fund Type includes the Jail Canteen Fund, and the Breckinridge County Housing Authority.

The Jail Canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

The county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The Breckinridge County Housing Authority prepares its financial statements according to generally accepted accounting principles.

The Department for Local Government does not require the county to maintain a general fixed assets group of accounts; therefore, the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county. The fixed assets of the Breckinridge County Housing Authority are reported on these financial statements as the Authority presents its financial information according to generally accepted accounting principles.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Breckinridge County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the Department for Local Government. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the Department for Local Government. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Jail Canteen Fund. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts. The county considers certificates of deposit with a maturity date of three months or less when purchased to be cash equivalents. KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

BRECKINRIDGE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2003
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Capital Lease Agreements

- A. Breckinridge County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) on January 6, 1994. The lease principal of \$250,000 was for courthouse renovation. The lease terms specify yearly principal payments and monthly interest payments at 4.621 percent. These payments are paid from the General Fund. Principal outstanding as of June 30, 2003 was \$157,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Scheduled Interest	Scheduled Principal
2204	\$ 8,479	\$ 13,000
2005	7,752	13,000
2006	7,002	14,000
2007	6,195	15,000
2008	5,356	15,000
2009-2013	12,964	87,000
Totals	<u>\$ 47,748</u>	<u>\$ 157,000</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Capital Lease Agreements (Continued)

B. Breckinridge County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) on February 26, 1998. The lease principal of \$5,300,000 was for the construction of the Breckinridge County Detention Facility. The lease terms specified yearly principal payments and monthly interest payments at an effective interest rate of 5.64 percent. On January 31, 2000, the lease was refinanced in the amount of \$5,500,000. The lease terms specify yearly principal payments and monthly interest payments at an interest rate of 5.3 percent. These payments are paid from the Jail Fund. Principal outstanding as of June 30, 2003 was \$5,253,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Scheduled Interest	Scheduled Principal
2004	\$ 311,304	\$ 133,000
2005	302,846	140,000
2006	293,963	147,000
2007	284,599	155,000
2008	274,751	163,000
2009-2013	1,206,757	953,000
2014-2018	870,821	1,228,000
2019-2023	437,964	1,581,000
2024-2025	27,226	753,000
Totals	<u>\$ 4,010,231</u>	<u>\$ 5,253,000</u>

Note 5. Operating Lease

On September 10, 2001, the fiscal court entered into a lease with Officeware for a copy machine. The rental agreement states that monthly payments of \$172 shall be made for a term of 48 months. During the fiscal year ended June 30, 2002, Breckinridge County paid \$1,716 on the lease. These payments are paid from the General Fund. As of June 30, 2002, future payments of \$4,463 are required by the lease.

Note 6. Insurance

For the fiscal year ended June 30, 2002, Breckinridge County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Related Party Transactions

During fiscal year ended June 30, 2003, the fiscal court made expenditures to an auto parts store owned by the County Treasurer's father. The total of the expenditures to the auto parts store was \$7,689. These transactions do not appear to be in violation of the county's code of ethics.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

BRECKINRIDGE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 1,878,900	\$ 1,347,142	\$ (531,758)
Road and Bridge Fund	1,855,000	1,492,369	(362,631)
Jail Fund	1,592,000	1,224,294	(367,706)
Local Government Economic Assistance Fund	32,000	56,075	24,075
<u>Special Revenue Fund Type</u>			
Section 8 Housing Fund	700,000		(700,000)
Totals	<u>\$ 6,057,900</u>	<u>\$ 4,119,880</u>	<u>\$ (1,938,020)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 6,057,900
Add: Budgeted Prior Year Surplus			405,650
Add: Budgeted Borrowed Money			200,000
Less: Budgeted Other Financing Uses			<u>(430,612)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 6,232,938</u>

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SCHEDULE OF OPERATING REVENUE

BRECKINRIDGE COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

	<u>GOVERNMENTAL FUND TYPE</u>
<u>Revenue Categories</u>	<u>General Fund Type</u>
Taxes	\$ 980,526
In Lieu Tax Payments	12,179
Excess Fees	39,012
Licenses and Permits	5,554
Intergovernmental Revenues	2,824,742
Charges for Services	125,179
Miscellaneous Revenues	115,728
Interest Earned	<u>16,960</u>
Total Operating Revenue	<u><u>\$ 4,119,880</u></u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

BRECKINRIDGE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 574,051	\$ 497,878	\$ 76,173
Protection to Persons and Property	1,364,716	1,337,220	27,496
General Health and Sanitation	162,490	35,191	127,299
Social Services	72,684	68,440	4,244
Recreation and Culture	157,979	90,739	67,240
Roads	1,134,486	878,943	255,543
Bus Services	56,507	56,507	
Debt Service	339,791	332,821	6,970
Capital Projects	899,624	396,131	503,493
Administration	770,610	709,771	60,839
Total Operating Budget - General Fund Type	\$ 5,532,938	\$ 4,403,641	\$ 1,129,297
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	200,000	200,000	
Kentucky Association of Counties Leasing Trust - Principal Payments	139,000	139,000	
Lease Principal Payments	91,612	91,370	242
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 5,963,550</u>	<u>\$ 4,834,011</u>	<u>\$ 1,129,539</u>

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Section 8 Housing	<u>\$ 700,000</u>	<u>\$ 0</u>	<u>\$ 700,000</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable George E. Monarch, III, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Breckinridge County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 6, 2003 in which we issued a qualified opinion. A component unit of Breckinridge County Fiscal Court, the Breckinridge County Housing Authority, presents its financial statements according to generally accepted accounting principles, and therefore contains certain accruals not contained in the financial statements of Breckinridge County, which presents its financial statements on the modified cash basis of accounting. We did not audit the financial statements of the Breckinridge County Housing Authority. Other auditors whose report has been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Breckinridge County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Breckinridge County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
October 6, 2003

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

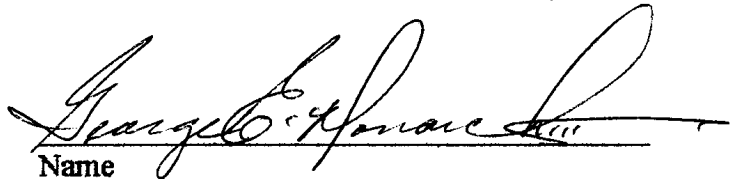
BRECKINRIDGE COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BRECKINRIDGE COUNTY FISCAL COURT

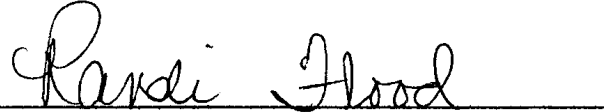
For The Fiscal Year Ended June 30, 2003

The Breckinridge County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "George B. Hancock", written over a horizontal line.

Name

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Randi Hood", written over a horizontal line.

Name

County Treasurer

